

TEACHERS' RETIREMENT BOARD  
BENEFITS AND SERVICES COMMITTEE

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SUBJECT: Annual Statement Estimate Letter

ITEM NUMBER: 10

ATTACHMENT(S): 0

ACTION: \_\_\_\_\_

DATE OF MEETING: March 7, 2002

INFORMATION: X

PRESENTER(S): Michael Carter/Sue Mosher

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We are pleased to announce the development of a first-time product that we believe will be positively received by our members. For the first time, we are sending our members a comprehensive estimate of their Defined Benefit Program retirement benefit. It is called the Annual Statement Estimate Letter or ASEL.

Background

As you may all be aware, the annual statement traditionally provided a retirement quote for members 50 years old and above. This quote was limited in space and content. We did not include assumptions that were used to calculate the quote, nor did we provide estimates that reflected actions taken by the member during the previous reporting period. When the 2000/2001 annual statements were mailed in December, no estimates were provided. We did, however, promise members that a separate estimate would be mailed to them by March 31, 2002.

This new comprehensive estimate will provide approximately 80,000 of our members with a retirement benefit quotation for various predetermined ages. The target population is vested members over the age of 50. We plan to expand the population to other members in the future. This product will also be used as an opportunity to educate our members on the advantages of selecting a pre-retirement election of an option. In addition, for the first time the estimate will include a quote for members who have a pre-retirement election of an option on file. This unique product merges data extracted directly from the START system with the functionality of the estimate a member might receive from a CalSTRS Regional Counselor.

Expected Outcomes

The service that we are proposing is similar to that provided by the Social Security Administration. As many of you know, the SSA provides an unsolicited estimate, based on valid data, to its participants. This is our first step toward taking the same proactive approach to serving and educating our members. With the ASEL, we expect to:

- Inform and educate our members regarding their CalSTRS retirement benefits;
- Educate members on the impact that selecting a pre-retirement election of an option can have on their retirement benefit;

- Promote the CalSTRS website calculator as a means for members to continue to explore their retirement choices;
- Provide a tool for members to utilize in their personal financial planning;
- Address issues that prompt members to pursue face-to-face counseling services. We hope that the information provided by this estimate will relieve some of the pressure on the demand for those services.

Recognizing that we desire to achieve the above stated outcomes, there are potential risks associated with this product. One potential risk is the possibility that receipt of the estimate letter will increase the number of telephone calls and demand for counseling services. We hope that will not occur, although considering the importance of the estimate contents, and the fact that we may be speaking to members who may not have heretofore had questions in this area, we should be prepared for such a possibility. With this in mind, staff believes this to be an excellent service to our members and fully endorse the distribution of this new product.

At the March 2002 Benefits and Services Committee meeting you will receive an example of the estimate and cover letter. We look forward to further discussions regarding this service to our members.